

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN DALE MAHLUM**, on February 4, 2003 at 9:04 A.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Dale Mahlum, Chairman (R)
Sen. Mike Sprague, Vice Chairman (R)
Sen. Sherm Anderson (R)
Sen. Vicki Cocchiarella (D)
Sen. Kelly Gebhardt (R)
Sen. Ken (Kim) Hansen (D)
Sen. Sam Kitzenberg (R)
Sen. Glenn Roush (D)
Sen. Don Ryan (D)
Sen. Carolyn Squires (D)

Members Excused: Sen. Bob Keenan (R)
Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Sherrie Handel, Committee Secretary
Eddy McClure, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 249, 1/22/2003
Executive Action: SB 231; SB 232; SB 124

{Tape: 1; Side: A}

HEARING ON SB 249

Sponsor: SENATOR MIKE TAYLOR, SD 37, PROCTOR

Proponents: Andy Poole, Department of Commerce; Don Peoples, MSE, Inc.; Dave Gibson, Governor's Office; and Gary Rowe, Montana Economic Revitalization and Development Institute

Opponents: None

Opening Statement by Sponsor:

SENATOR MIKE TAYLOR, SD 37, PROCTOR, shared with new members that during last session, SB 432 was passed. It allowed Montana to enter the space industry and compete with other states in aerospace projects. It allowed the state to purchase special equipment and buildings through general obligation bonds. Twenty million dollars was the limit set to spend on aerospace projects. He said the University of Montana and the MARIAH Project in Butte have taken advantage of that bill. **SEN. TAYLOR** stated his hope that this bill, as amended, will continue to allow Montana to be in the space industry. He went on to explain the two amendments to SB 249, **EXHIBIT (bus24a01)** and **EXHIBIT (bus24a02)** (SB023201.aem).

Proponents' Testimony:

Andy Poole, Department of Commerce, expressed his support of the bill, but said the bill was confusing due to language used from the previous session that was drafted into SB 249. It is a bill with a number of strikeouts and underlines that are actually part of existing law. It looks like it's doing a lot, but it's not doing very much at all. It gives a company the right of first refusal at the time the state would be selling the machinery, equipment or infrastructure that the state owns. This program is one where the state bonds and then purchases infrastructure or equipment and leases it to the company at lower than fair market value, depending on the taxes that are generated from new employment, new corporate income, new property taxes, etc. If you are a company that's going to locate in Montana and generate additional tax revenue for the state, the state's incentive would be to purchase equipment or infrastructure and lease it to the company. **Mr. Poole's** department had several issues with the legislation. He raised concerns about the ability of the company to acquire the property on a first-right-of-refusal basis at the end of the lease period. The second issue was that, as the statute is written now, it would not allow the state to acquire infrastructure. The amendments address those issues.

Don Peoples, MSE, explained that his company, in cooperation with the local government of Butte and the university system, has formed a group called the Montana Aerospace Development Authority. Its primary purpose is to develop aerospace as the primary technology in the state of Montana. MSE is also the program integrator for a U.S. Air Force program called MARIAH, which is the beginning of a hypersonic wind tunnel to test hypersonic vehicles for this country. Other agencies involved in the project are Princeton University, Massachusetts Institute of Technology, Sandia National Labs, the Boeing Corporation, and Lawrence Livermore Lab. The project is currently funded at about \$6M per year, and they are doing cutting-edge research in Butte.

Mr. Peoples said this particular piece of legislation is welcome and would ultimately allow the development of the aerospace industry in Montana to move forward. If Montana is unable to provide the infrastructure for the testing of hypersonic technology, then it will be left behind. He encouraged a do pass recommendation for SB 249.

Dave Gibson, Governor's Office, shared that his office believes this is a good piece of legislation and discussed the importance of primary businesses in Montana. He also stated the aerospace industry provides high-paying jobs with high multipliers. If this piece of legislation works for the aerospace industry, **Mr. Gibson** felt it would be a perfect model for other industries and for future legislative sessions.

Gary Rowe, Montana Economic Revitalization and Development Institute, an economic development organization in Butte, explained that MSE is a subsidiary. He state he was present to speak on behalf of SB 249 and the aerospace program. As MSE continues to move forward on its aerospace program, this piece of legislation is a critical component. He explained about a proposed technology and purchase of a piece of property called an electron beam accelerator, which is part of the technology which will eventually become a hypersonic wind tunnel. That wind tunnel is critical as this nation moves forward in its development of space and economic ways of launching vehicles into space. This legislation and its amendments make the program much more user friendly while not putting the state at any financial risk. He encouraged the passage of SB 249.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. SAM KITZENBERG asked why Butte is at the front of the list for development by the aerospace industry. **Mr. Peoples** said that MSE would be happy to work in any part of the state.

{Tape: 1; Side: B}

Mr. Poole stated there are several other companies working to apply to the Department of Commerce to use this tool. They are not in Butte.

SEN. GLENN ROUSH asked **Mr. Poole** about the language on line 22 of page 1. **Mr. Poole** explained that the language of the bill was updated from that of SB 432, which was passed during the last legislative session.

SEN. CAROLYN SQUIRES wanted to know what would happen to the workers should these new companies go away. **Mr. Poole** replied the way the statute works, the state will purchase equipment or construct a facility and lease it to the company at less than fair market value. His department will review annually the taxes generated from employee income for the purpose of making sure they are covering the cost of the bonds for the state. If not, the state will have a development agreement with the company wherein, if the company is coming up short of new tax revenue, it will be required to make up the difference. That's the assurance the company is not coming up short on the bonds. There is no provision in the statute that requires the company to lease the facility and create jobs, if they can. The state cannot force the company to stay in business. There will be provisions in the agreement that will talk about the type of jobs to be created, wages to be paid and the taxes to be generated.

Closing by Sponsor:

In closing, **SEN. TAYLOR** addressed issues brought forth by committee members. He said he is looking forward to using this vehicle in the state and that it is important to take advantage of it in order to allow the state of Montana to walk into the 21st century. **SEN. TAYLOR** urged a do pass recommendation by the committee.

EXECUTIVE ACTION ON SB 231

Motion/Vote: **SEN. GEBHARDT** moved that SB 231 DO PASS. Motion carried 10-0.

EXECUTIVE ACTION ON SB 232

Motion: **SEN. GEBHARDT** moved that SB 232 DO PASS AS AMENDED.

Discussion:

SEN. DON RYAN wanted to wait and see what happens with the other two similar bills.

SEN. VICKI COCCHIARELLA did not want to wait for a bill that hasn't been drafted. She raised concerns about the fiscal note, but she thinks it may save money in the long run.

CHAIRMAN DALE MAHLUM explained the reason for the commission's need to partner with the Department of Commerce.

SEN. COCCHIARELLA pointed out that the money does not increase. It just shifts from the Historical Society to the Department of Commerce.

Vote: Motion carried 10-0.

EXECUTIVE ACTION ON SB 124

Motion/Vote: SEN. KITZENBERG moved that SB 124 BE TABLED. Motion carried 6-5 with COCCHIARELLA, HANSEN, ROUSH, RYAN, and SQUIRES voting no. **EXHIBIT**(bus24a03)

ADJOURNMENT

Adjournment: 9:48 A.M.

SEN. DALE MAHLUM, Chairman

SHERRIE HANDEL, Secretary

DM/SH

EXHIBIT (bus24aad)